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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 06/06/06

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Political agenda:

- 11) Arrest of powerful fund manager Murakami for insider trading deals blow to Koizumi deregulatory reforms
- 12) Opposition parties plan to pursue Koizumi in Diet for setting reform stage that they say allowed Murakami fund to carry out insider trading

- 13) Minshuto head Ozawa calls Koizumi "irresponsible" for not extending the Diet despite backlog of important bills
- 14) In post-Koizumi race, potential candidate Fukuda has been silent recently, unlike his vocal opponent Abe
- 15) Former Prime Minister Hashimoto has been hospitalized for stomach pain
- 16) LDP launches new policy think-tank

Articles:

1) TOP HEADLINES

Asahi, Mainichi, Yomiuri, Nihon Keizai, Sankei, and Tokyo Shimbun:

Tokyo District Public Prosecutors Office arrests Yoshiaki Murakami on suspicion of insider trading; Suspected to have made profit of 3 billion yen by purchasing NBS shares after learning of Livedoor's purchase plan in November 2004

2) EDITORIALS

Asahi:

- (1) Murakami arrested: Lessons should be learned from fund scandal
- (2) Akita murder case: What drove mother of tragedy to commit crime?

Mainichi:

- (1) Arrest of Murakami: Violator must leave the market
- (2) Murder of 7-year-old in Akita: Protecting children is everybody's business

Yomiuri:

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- (1) Marketplace winners willing to break law
- (2) Akita murder case: What happened to mother of drowned girl?

Nihon Keizai:

- (1) Murakami's arrest underlines need to establish strict marketplace rules

Sankei:

- (1) Murakami nabbed: Betrayal of fund market inexcusable
- (2) Murder of 7-year-old: Mysterious points must be uncovered

Tokyo Shimbun:

- (1) Murakami arrested: Clear rules essential
- (2) Akita boy murder case: Many riddles still remain

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, June 5

NIHON KEIZAI (Page 2) (Full)
June 6, 2006

10:31
Arrived at Kantei.

11:00
Met Canadian Ambassador to Japan Caron, with Foreign Ministry North American Affairs Bureau Director General Kawai present. Followed by WHO West Pacific Region Bureau Director General Omi, with Health, Labor, and Welfare Ministry Director General for Technology Policy Sotoguchi present.

13:19
Met Policy Research Council Chairman Nakagawa, Acting Policy Research Council Chairman Amari, and Assistant Policy Research Council Chairman Ito. Later, met Asahi Breweries advisor Yuzo Seto, chairman of the Japan-South Korea Economic Association.

15:15
Met Upper House member Yoriko Kawaguchi.

17:01

Attended an LDP executive meeting in the Diet building.

17:48

Met at Kantei with Uzbekistan Foreign Minister Ganiyev, Afghanistan Foreign Minister Spanta, and others, with Senior Vice Foreign Minister Shiozaki and others present. All lined up for a photo shoot.

18:47

Returned to his official residence.

4) Koizumi considering Middle East visit before G-8 summit, with eye on peace process

SANKEI (Page 5) (Full)
June 6, 2006

Prime Minister Junichiro Koizumi decided yesterday to visit Israel and the Palestinian territories ahead of the G-8 Summit in Russia that begins July 15. The aim of the visit is to increase

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Japan's involvement in the Middle East peace process as an arbitrator between Israel and the Palestinian Authority.

The prime minister was scheduled to go to Israel and the Palestinian territories when he visited Turkey this January, but due to Israeli Prime Minister Ariel Sharon's massive stroke, Koizumi had to postpone the planned visits. The visits are likely to take place during the July 10-14 period. Arrangements are being made for a tour to the Gaza Strip in addition to meetings with Israeli Prime Minister Ehud Olmert and Palestinian Authority President Mahmoud Abbas.

Since then Prime Minister Tomiichi Murayama visited the Palestinian territory and Israel in September 1995, no Japanese prime minister has visited there. Prime Minister Koizumi told reporters last night: "I was scheduled to go there in January. If we find the timing appropriate, I would like to go there."

5) Foreign Minister Aso to visit Iran to discuss nuclear issue, possibly on June 19

SANKEI (Page 5) (Excerpts)
June 6, 2006

The Foreign Ministry yesterday began arranging a visit to Iran by Foreign Minister Taro Aso to meet Foreign Minister Motaki, possibly on June 19. Aso plans to exchange views with his counterpart on Iran's nuclear development and call on Iran to halt its uranium enrichment activities, giving priority to coordination with the international community. It remains to be seen, though, to what extent Japan will be able to exert its influence.

The US has indicated that it would respond to bilateral talks if Iran halts its nuclear development program and then join international talks. Six countries, including the five permanent members of the United Nations Security Council, have agreed on a plan to be adopted if Iran suspends its nuclear program and sanctions in the event it does not.

In a telephone conference with US Secretary of State Condoleezza Rice on June 1, Aso said: "(Japan) will also play an important role." The US has already decided to impose sanctions if Iran refuses to end uranium enrichment activities. Based on this, the US has been calling Japan through diplomatic channels to also to take financial sanctions against Iran, including a ban on remittances.

6) Japan, Central Asian countries in foreign ministerial agree to strengthen border control as antiterrorism, antinarcotics measures

SANKEI (Page 5) (Full)

June 6, 2006

Japan and countries in Central Asia held a foreign ministerial meeting in Tokyo yesterday and adopted an action program including measures to cooperate in (1) strengthening the border control as part of antiterrorism and antinarcotics measures; and (2) constructing roads to transport oil and natural gas resources. The program also incorporated Japan's assistance measures. The participants included the foreign ministers from

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Kazakhstan, Kyrgyz, Tajikistan, and Uzbekistan. The foreign minister of Afghanistan took part as an observer.

In the action program, Japan pledged to offer technology to promote information exchanges and strengthen border control as part of antiterrorism and antinarcotics measures. The program also stressed the importance of constructing a southern route to transport natural resources in Central Asia to the Indian Ocean through Afghanistan and Pakistan. Japan will offer cooperation for road construction.

Central Asian countries have established the Shanghai Cooperation Organization with China and Russia. By holding an annual foreign ministerial with Central Asian countries, Japan aims to expand its influence in the region. The latest meeting was the second, following the one held last year.

7) Japan on diplomatic offensive toward Chinese, Russian neighbors

NIHON KEIZAI (Page 2) (Full)
June 6, 2006

The Japanese government is stepping up its diplomatic offensive toward Central Asian countries, India, Mongolia, and other countries neighboring China and Russia. Central Asia is a strategic region where the United States, China, and Russia are squaring off. The United States is strongly cautious about the clout of China and Russia in this region under their Shanghai Cooperation Organization (SCO) initiative. Japan would like to step up its partnership with India and Mongolia to drive a wedge in the coalition of China and Russia toward Central Asian countries.

Japan yesterday held a foreign ministerial meeting with four Central Asian countries and Afghanistan in Tokyo and agreed on an action program for cooperation in antiterror, energy, and various other areas.

Foreign Minister Taro Aso met the press after the foreign ministerial meeting and underscored its significance. "We have expectations for each other, and we're also attaching importance to our relationships," Aso said, adding, "We reaffirmed this, and that's important." He also said, "It's a very good message to the international community."

Aso also held individual talks with those visiting foreign ministers. Uzbekistan Foreign Minister Ganiyev responded, "I highly appreciate the dialogue this time as a contribution to stability in Central Asia."

The four Central Asian countries are SCO members. Last year, the SCO adopted a joint declaration calling for the United States to end its military presence in Central Asia, and the United States has now pulled its troops out of Uzbekistan. In the meantime, Kyrgyzstan has also notified the United States of a substantial raise of airport landing fees for US military aircraft. As seen from such moves, Central Asian countries are trying to eliminate the US influence.

Japan is now stepping up its dialogue with Central Asia in an aim to constrain such anti-US sensitivity in this region. For

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another, Japan wants to keep them from moving closer to China and Russia.

At the same time, Japan is also reinforcing its partnerships with India and Mongolia, which are geographically near Central Asia. Japan is developing proactive diplomacy toward India, which is an SCO observer. This year, India's Finance Minister Chidambaram and Defense Minister Mukherjee visited Japan. Indian Prime Minister Singh will also visit Japan this year. Mongolia marks its 800th national foundation anniversary this year. The Japanese government has designated this year as "Mongolia Year in Japan" to promote cultural exchange programs between the two countries.

8) Japan, US to strengthen aid to Java's quake-hit areas

NIHON KEIZAI (Page 9) (Full)
June 6, 2006

JAKARTA-Foreign relief teams from more than 30 countries, including Japan, have now arrived in the quake-hit districts of Java, Indonesia, where they are reinforcing their medical activities.

Japan has also dispatched a second batch of about 100 Self-Defense Forces members to engage in emergency medical relief activities. The SDF relief team arrived in the disaster-stricken province of Yogyakarta yesterday on a commercial charter plane. A C-130 transport plane loaded with medical equipment has also arrived at a local airport. The SDF team will join the advance team and start medical activities in mountainous areas.

Meanwhile, US Secretary of Defense Rumsfeld will visit Jakarta today and is expected to talk about the US military's additional aid to the quake-hit districts. The Indonesian Ministry of Social Affairs yesterday made a downward revision of quake death toll from 6,234 to 5,782 and the number of injuries from about 46,000 to about 36,000. This is because casualty tallies were duplicated in some areas.

9) Japan to end freeze on yen loans to China and decide today on yen loans -- down 10 billion yen -- for fiscal 2005 today

YOMIURI (Page 2) (Full)
June 6, 2006

Yen loans to China for fiscal 2005 had been frozen until now, but the government will decide to offer such yen loans at a meeting today of the Council for Overseas Economic Cooperation. This decision comes, reflecting the recent moves by China to improve relations with Japan, such as Beijing's agreement to hold the first foreign ministerial between the two countries in one year.

The total amount of yen loans is expected to be around 75 billion yen, down 10 billion yen from the previous fiscal year.

The offer of yen loans is usually decided by the end of the fiscal year, and yen loans are implemented in the next fiscal year. But in the case of yen loans to China for fiscal 2005, because of growing opposition in the ruling Liberal Democratic Party to China's attitude of refusing to hold a summit between the two countries, the government had frozen the offer of yen loans to China.

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The Council for Overseas Economic Cooperation in its meeting plans to confirm the policy of ending yen loans to China by the time of the Beijing Olympics in 2008.

10) ROK decides to extend its EEZ eastward from Takeshima/Dokdo; Japan-ROK negotiations certain to run into trouble

MAINICHI (Page 2) (Full)
June 6, 2006

Akiko Horiyama, Seoul

Ahead of the upcoming negotiations between Japan and South Korea on demarcation of the two countries' exclusive economic zones (EEZ) that will start in Tokyo on June 12, the South Korean government's project team in charge of the Takeshima/Dokdo issue late yesterday decided to change the base point of its EEZ from Ullungdo to Takeshima/Dokdo, although it previously used Ullungdo as the base point in previous demarcation talks. Because of this decision by South Korea, the disputed islet is expected to be used by both Japan and South Korea as their respective base points for their EEZs. Given this, the upcoming negotiations are likely to run into difficulties.

Prior to this decision, So Ju Sok, the chief of unification and foreign and security policy in the Blue House who heads the project team, said in a KBS Radio interview: "We need to work out our measures, factoring in recent various factors, particularly the situation we faced this April (of Japan attempting to conduct a marine survey). We now have no choice but to assert that we will use Dokdo as the base point for our EEZ."

Japan-South Korea talks on EEZ demarcation have been suspended since 2000. Before the suspension, South Korea used Ullungdo as a base point, perhaps to avoid making Takeshima/Dokdo a territorial issue, and asserted that the border of the EEZs between Japan and South Korea would be determined by the equidistant line between Ullungdo and Okinoshima Island.

11) Council for Promotion of Regulatory Reform finds itself on hot seat; Chair Miyauchi financed Murakami Fund

SANKEI (Page 2) (Full)
June 6, 2006

The arrest of Yoshiaki Murakami, representative of the Murakami Investment Fund, has now put the government's Council for Promotion of Regulatory Reform (CPRR) at a disadvantage. The reason is that Council Chairman Yoshihiko Miyauchi, chairman of Orix Corp., helped Murakami to establish the investment fund.

At a news conference at noon yesterday, Miyauchi was asked by reporters, "Don't you think that the credibility of the Council for Promotion of Regulatory Reform will be lost?" In response, Miyauchi made only this comment: "I refrain from commenting on the matter since I'm not in a position to do so." Chief Cabinet Secretary Shinzo Abe also did not make himself clear about the

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matter, noting: "I refrain from commenting on individual investors in the fund."

The CPRR plans to come up with a report by July on reform

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proposals, such as the reform of NHK (Japan Broadcasting Corporation) and the abolition of regulations concerning the establishment of boards of education. But a critical view of the CPRR is emerging in both the ruling and opposition parties. A veteran lawmaker of the Liberal Democratic Party (LDP) who has served in three top party posts said: "There's no doubt that the credibility of any report Mr. Miyauchi will give shape to will be shaken." Miyauchi is a proponent of market testing (or competitive bidding between the government and private sector), but his position has given rise to complaints in the ruling camp, with a mainstay LDP member remarking, "What he is doing is helping the private sector to snatch away government jobs to make money." The CPRR is certain to come under harsh criticism.

Miyauchi has been on friendly terms with Murakami since before Murakami left the Ministry of International Trade and Industry (predecessor of the current Ministry of Economy, Trade, and Industry). When Murakami established the investment fund in 1999, the Miyauchi-led Orix Corp. put up 45% of the 90 million yen in capital. This May, Orix withdrew its money invested in that company as well as its executives, but it still has left fund

management to that company.

When Prime Minister Junichiro Koizumi late yesterday was asked by reporters about his responsibility for keeping Miyauchi in the chairman's post of the CPRR, he went no further than to say: "This has nothing to do with that."

12) Opposition to pursue Prime minister's responsibility for appointing private-sector people to key reform posts, including Miyauchi, who has strong ties to Murakami

ASAHI (Page 4) (Excerpts)
June 6, 2006

Business leaders picked as main players in Prime Minister Koizumi's reform drive are drawing fire. For instance, following the arrest of bureaucrat-turned-fund-manager Yoshiaki Murakami, the relationship between Murakami and Yoshihiko Miyauchi, chair of the government's Regulatory Reform and Private Sector Liberalization Promotion Council and chairman of Orix Corp., is again being pointed out. The Social Insurance Agency led by Kiyoshi Murase, a former deputy president of an insurance company, is also at the center of an illegal pension exemption scandal. The opposition camp plans to pursue Koizumi's responsibility for appointing them to such positions.

In a press conference held yesterday morning by the Regulatory Reform Council in a government building in Nagatacho, chairman Miyauchi was asked: "As an investor in the Murakami Fund, you seem to have a close relationship with Mr. Murakami. That could hurt the credulity of the council you chair, couldn't it?" In response, Miyauchi simply said, "I'm not in a position to comment."

Murakami is Miyauchi's longtime friend. Orix invested in the Murakami Fund when it was launched. Orix reportedly contributed working funds to the Murakami Fund. Some in business circles have been critical of firms that have used the Murakami Fund. Japan Chamber of Commerce and Industry President Nobuo Yamaguchi said, "There is a chance this will reflect badly on them."

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Regulatory reform is one of the showcase policies of the Koizumi administration. A Regulatory Reform Council member voiced fear of Miyauchi losing momentum: "Many government offices are unhappy with the aggressive approach taken by the Regulatory Reform Council. The council may not be able to engage in activities the way it used to."

Social Insurance Agency chief Murase is also under criticism. On an NHK news program on June 4, Japanese Communist Party policy chief Akira Koike said in a strong tone: "Sampo Japan (for which Murase served as vice president) has been ordered to suspend operations for violations of law. The Social Insurance Agency did the same thing. The agency imposed unattainable targets on its employees."

The Financial Services Agency has imposed an administrative punishment on Sumitomo Mitsui Banking Corp., for which Japan Post President Yoshifumi Nishikawa served as president. Opposition parties have begun raising questions about the responsibility for appointing such people. Following the revelation of a bridgework bid-rigging scandal, Central Nippon Expressway Co. President Tsuyoshi Kondo, who also served as president of Japan Highway

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Public Corp., will step down from the post on June 27. "He has decided to resign from the post early for taking responsibility for the scandal," an observer said.

13) Minshuto head Ozawa: Prime Minister Koizumi is irresponsible; Reluctant to submit no-confidence motion against the Koizumi cabinet

MAINICHI (Page 5) (Full)

June 6, 2006

Prime Minister Junichiro Koizumi has expressed that he would not extend the current Diet session. In this regard, the main opposition party, Minshuto (Democratic Party of Japan) has heightened its criticism of Koizumi for "lacking drive." The party leadership is, however, reluctant to submit a no-confidence motion against the Koizumi cabinet, as it is impossible to have the motion passed because the ruling camp has a huge majority of the Diet seats.

Minshuto President Ichiro Ozawa blasted Koizumi in a speech delivered yesterday in Saga City: "It is irresponsible to take a stance that it is all right whether an important bill submitted at the final stage of the current session will be enacted or not."

The ruling camp has forgone passage of many contentious bills during the ongoing session. This is a certain achievement for the opposition camp, but the largest opposition party criticized "Koizumi's lack of enthusiasm" for it has lost "means of " attacking the government. In a meeting on June 3 in Shinoyama City, Hyogo Prefecture, Ozawa stated:

"I think the prime minister does not care about Diet deliberations because he will step down from office in September and he will visit the United States (soon after) the current session ends."

At a press conference yesterday, Ozawa said, the submission of a no-confidence resolution against the cabinet "is one of our choices" but "it is meaningless to submit it as an annual event."

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He was negative about a submission.

Secretary General Yukio Hatoyama said yesterday in Nagoya City,

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"It is worth considering" the submission of a no-confidence motion. One executive member, however, commented yesterday: "Since support rates for the cabinet are high, it would be difficult to obtain understanding from the public."

14) 2006 LDP presidential race: Fukuda still not saying whether he will run

SANKEI (Page 5) (Excerpts)
June 6, 2006

Chief Cabinet Secretary Shinzo Abe and his aides have been moving into action with an eye on the September presidential election of the Liberal Democratic Party (LDP). All eyes are now focused on the moves of former Chief Cabinet Secretary Yasuo Fukuda, who has obtained the second-highest support rates, following Abe, in recent opinion polls. Although Fukuda has been vague about whether he will run in the presidential race, he has begun making clear a position of distancing himself from Prime Minister Junichiro Koizumi on the consumption tax and Yasukuni Shrine.

Last night Fukuda attended a party hosted by Seishiro Eto, a former defense chief who has clarified his support for Fukuda in the LDP leadership race. Fukuda in a speech fended off calls for him to run in the election, just saying: "Since (Mr. Eto) does not go too far, I have confidence in him. I think, however, that I cannot be pulled around by his proficient knowledge of reading the future of politics."

Asked about his impression of the launch of a parliamentary group supporting Abe's policy of helping those who fail gain a second chance, Fukuda simply replied, "I think that's good."

It is, however, true that Fukuda's silence has raised his public approval. Secretary General Tsutomu Takebe stated in the party last night:

"Support for Mr. Fukuda and Mr. Abe goes up because Mr. Yoshiro

Mori says that he is having difficulties in unifying candidates. Mr. Mori is a genius if he says so with the intention of boosting their popularity."

Veteran lawmakers of the Mori faction have mixed feelings about the present situation. Justice Minister Seiken Sugiura, a Mori faction member, said: "Since we (Mori faction members), who are now serving in our fifth-terms or more in the Diet, we cannot take any action. We are having a difficult time choosing between duty and sentiment."

Fukuda has played up his own political identity regarding issues that might become major campaign issues in the election. In a speech delivered on May 27, he criticized Koizumi's visits to Yasukuni Shrine, arguing, "It's terrible that both the top leader and the public are too emotional." He has also introduced an idea of raising the consumption tax rate to 10% for the purpose of fiscal reconstruction. He said, "I need your cooperation. When the time comes, I will ask you."

15) Former Prime Minister Hashimoto in hospital for stomach pain

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SANKEI (Page 5) (Full)
June 6, 2006

Former Prime Minister Ryutaro Hashimoto, 68, has been hospitalized in a Tokyo hospital, said informed sources yesterday. According to his close aides, Hashimoto was taken to the hospital by ambulance after suffering abdominal pain and was admitted by doctors on June 4. The aides said: "It is not a life-threatening illness." Hashimoto was hospitalized in February 2002 for breathing difficulty. At that time, he underwent an operation.

16) LDP sets up think-tank independent from bureaucracy; Fund-raising a challenge

YOMIURI (Page 2) (Excerpts)
June 6, 2006

A new policy research organ of the ruling Liberal Democratic Party (LDP) yesterday held an opening ceremony for its office, which is located in Tokyo's Toranomon district. The new organ called "Think Tank 2005 Japan" is headed by Takahiro Suzuki, a visiting professor at Chuo University. Like the Public Policy Platform that Minshuto (Democratic Party of Japan) established last November, the LDP's think tank is expected to be independent from the bureaucracy in drafting policies.

Both the LDP and the main opposition party do not post full-time researchers in consideration of profitability. There are many challenges, such as the effective use of the think-tank and how to raise funds.

At the opening ceremony, LDP Policy Research Council Chairman Hidenao Nakagawa stated: "It is no longer permitted for the ruling camp to regard the bureaucracy as its think-tank, not accepting ideas from other organs."

However, the LDP's notion of creating a policy research organization has not gone smoothly. The notion was advocated by Chief Cabinet Secretary Shinzo Abe when he was serving as secretary general of the LDP. The initial idea was to use full-

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time researchers, but it was decided later that policy research should be outsourced due to financial difficulties.

SCHIEFFER